

City of Seattle
Office of City Auditor



November 15, 1995

The Honorable Norman B. Rice, Mayor
The Honorable Seattle City Councilmembers
The City of Seattle
Seattle, Washington 98104

Dear Mayor Rice and Councilmembers:

The accompanying report describes our work with the Department of Finance in response to the disclosure that an employee in the Department of Finance's Animal Control unit was able to steal money from 1988 to 1995 without detection. The Department of Finance issued a formal response to our audit, which we have attached to our report. Our Executive Summary (p. i.) provides a brief discussion of the important points of the report and addresses the Department of Finance response.

As part of our follow-up process, we are requesting a written status report from the Department of Finance in six months on progress made to address the report's recommendations.

We appreciate the assistance and professionalism of the Department of Finance's management and staff who participated in our review. Please contact me at 233-0088 if you have any questions or would like additional information regarding this audit. To improve our work, we are asking our readers to complete and return the evaluation form at the back of our report.

Sincerely,

Nora J.E. Masters
City Auditor

Enclosure

Animal Control

EXECUTIVE SUMMARY

Report Topics

- (1) In October 1994, an employee of Animal Control was caught and confessed to stealing cash from the Pet Licensing section since 1988. In response to this theft, we worked with Animal Control to review its cash handling procedures and identify means for improving Animal Control's recording and safeguarding of cash receipts.
- (2) In the 15 years between 1979 and 1994, Animal Control workloads fell significantly. We found that during the same time period, Animal Control's staffing levels also declined but not as significantly. Also, Animal Control added two additional enforcement officers in its 1994 budget, projecting that the revenue generated from the additional citations they issued would offset their costs. The additional revenue, however, has not been sufficient to offset the additional costs of these officers.
- (3) The City has conducted two recent studies regarding where to place Animal Control in the City government structure. We found that these studies did not look at the function of Animal Control's four sections (Animal Shelter, Pet Licensing, Enforcement, and the Spay Neuter Clinic) individually to determine how most efficiently to provide each function, including whether nonprofits, King County or the private sector should provide some services. Instead these studies looked primarily at whether various City department's wanted or did not want Animal Control (as one large entity with its four sections). We believe further study is needed to determine where and how Animal Control functions would operate most efficiently.

Background

Animal Control, a section in the Department of Finance, has a total of 29 staff. In 1994 its expenditures were almost \$1.7 million, and its revenues were almost \$320,000, excluding revenues generated from citations.

Results of Our Work

Animal Control has put in place or is in the process of developing some basic internal control procedures essential to prevent or detect theft. Animal Control's internal control system was manual and relied on the trustworthiness of its employees--a system inappropriate for cash handling. Areas that Animal Control has improved but that will require continued special attention from Animal Control include ensuring:

- the system provides an explicit audit trail for all transactions;

- all staff collecting money have access to their own cash box;
- staff use pre-numbered receipts and are accountable for all cash receipts they receive;
- staff and supervisors comply with procedures;
- appropriate levels of supervisory review occur at all necessary steps;
- planned improvements are implemented; and,
- Animal Control notifies the City Council of expected implementation dates and provides periodic status reports.

Addendum A shows the steps Animal Control has taken or is in the process of taking to improve its recording and safeguarding of cash receipts.

In the 15 years between 1979 and 1994, Animal Control workloads fell significantly. The workload decreases ranged from a drop of 23 percent in licenses sold to drops of 72 percent in the number of animals euthanized and 65 percent in the number of animals returned to owners. During the same time period, Animal Control's staffing levels also decreased but not as significantly--from a total of 35 to 29, a 17 percent decline. In its 1994 budget submittal, Animal Control requested and received two additional Animal Control officers. Animal Control's impetus for making this request came from the Department of Parks and Recreation's concern over the large number of stray and unleashed dogs in City parks. Animal Control projected that the two additional officers would generate sufficient revenues from issuing citations to cover the cost of their employment. However, the additional two officers have resulted in a net cost to the City of about \$27,000 a year. Hence, City policymakers may want to re-evaluate the need of these two additional officers.

Many jurisdictions are reviewing lines of businesses and creating competition for the provision of Animal Control services. Creating competition improves the provision of services by identifying the most efficient means of providing a service; and creating incentives and benchmarks to improve the performance of City provided services. Animal Control has participated in two limited scope studies recently which have addressed the City's service delivery options for providing animal control services as one large unit. However, we believe further study is needed because these studies looked primarily at whether various City department's wanted or did not want Animal Control (as one large entity with its four sections) rather than on where it would operate most efficiently. We also believe further study is needed because these studies did not:

- include cost analyses;
- document the support for their conclusions;
- review whether Seattle needs to still be in those lines of business;
- consider whether the City could provide services more efficiently if it located the four individual sections of Animal Control in more than one City department;
- adequately consider whether nonprofits, King County, or the private sector should provide some Animal Control services;

- create competition; and
- create incentives and benchmarks to improve the performance of the service.

We recommend that the City conduct a managed competition review of Animal Control which would consider placing Animal Control's four individual sections in different departments, combining some of the functions with King County animal control functions; or contracting for some of the services.

Comments on Department of Finance Response

We thank the Department of Finance for its review of our draft report and for its comments. We have incorporated some of these comments at appropriate places in the body of our report. In general, we are in agreement with the Department's comments, with the exception of those pertaining to the need for further review of Animal Control's functions. We found no evidence that suggests that the City cannot split up these functions or that the present synergistic efficiencies between animal-control functions in the Department of Finance could not be surpassed by other synergy's if the City located animal-control functions individually elsewhere. The Parks and Recreation Department and the Police Department, for example, in early 1995 stated that the shelter and enforcement functions, respectively, might operate more efficiently in their departments. We want to stress that we are not recommending that the City split up animal-control functions, only that the issue warrants further study. Also, we are providing options for possible study, rather than recommending specific options for changing the way the City provides animal-control functions. Our concern is that the City carefully consider all options for providing animal-control functions, rather than ruling out certain options in advance.

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INTRODUCTION

PURPOSE

The Office of City Auditor reviewed cash handling procedures in the Department of Finance's Animal Control unit to provide recommendations for improving its recording and safeguarding of cash receipts. In addition, we reviewed two issues which came to our attention during our cash handling review--adequacies of support for two additional enforcement officers and of studies regarding siting Animal Control in the Department of Finance.

BACKGROUND

In October 1994, an employee of Animal Control was caught and confessed to stealing cash from the Pet Licensing section. The State Auditor's Office determined that the employee had stolen approximately \$66,000 from January 1993 to October 1994. The Finance Department is still attempting to ascertain the total amount of the theft.

Currently, the Department of Finance administers Animal Control activities. Previously a division within the Department of Licenses and Consumer Affairs handled this function. This department merged with the Department of Finance in 1994.

Animal Control encompasses four sections: Animal Shelter, Pet Licensing, Enforcement, and the Spay Neuter Clinic. The Animal Shelter cares for and shelters all animals detained by or surrendered to the City, assists owners in reclaiming lost pets, helps citizens adopt abandoned pets, and euthanizes sick, aged, or unwanted animals. The Pet Licensing section provides fiscal services for all the Animal Control sections as well as selling the majority of pet licenses. The Enforcement section responds to citizen complaints relating to animal problems and issues citations for violations of City ordinances pertaining to animal regulations. The Spay Neuter Clinic, created by a voter's initiative in 1978¹, offers Seattle residents low-cost surgical sterilization for their dogs and cats, as well

¹The 1978 voter approved ordinance requires a City operated Spay Neuter Clinic. Per the City Charter, any ordinance approved by the voters cannot be amended or repealed by the City Council within a period of two years following the election.

as providing rabies shots and implanting microchips. Figure 1 shows the organizational structure for Animal Control.

Figure 1: Organizational Structure of Animal Control

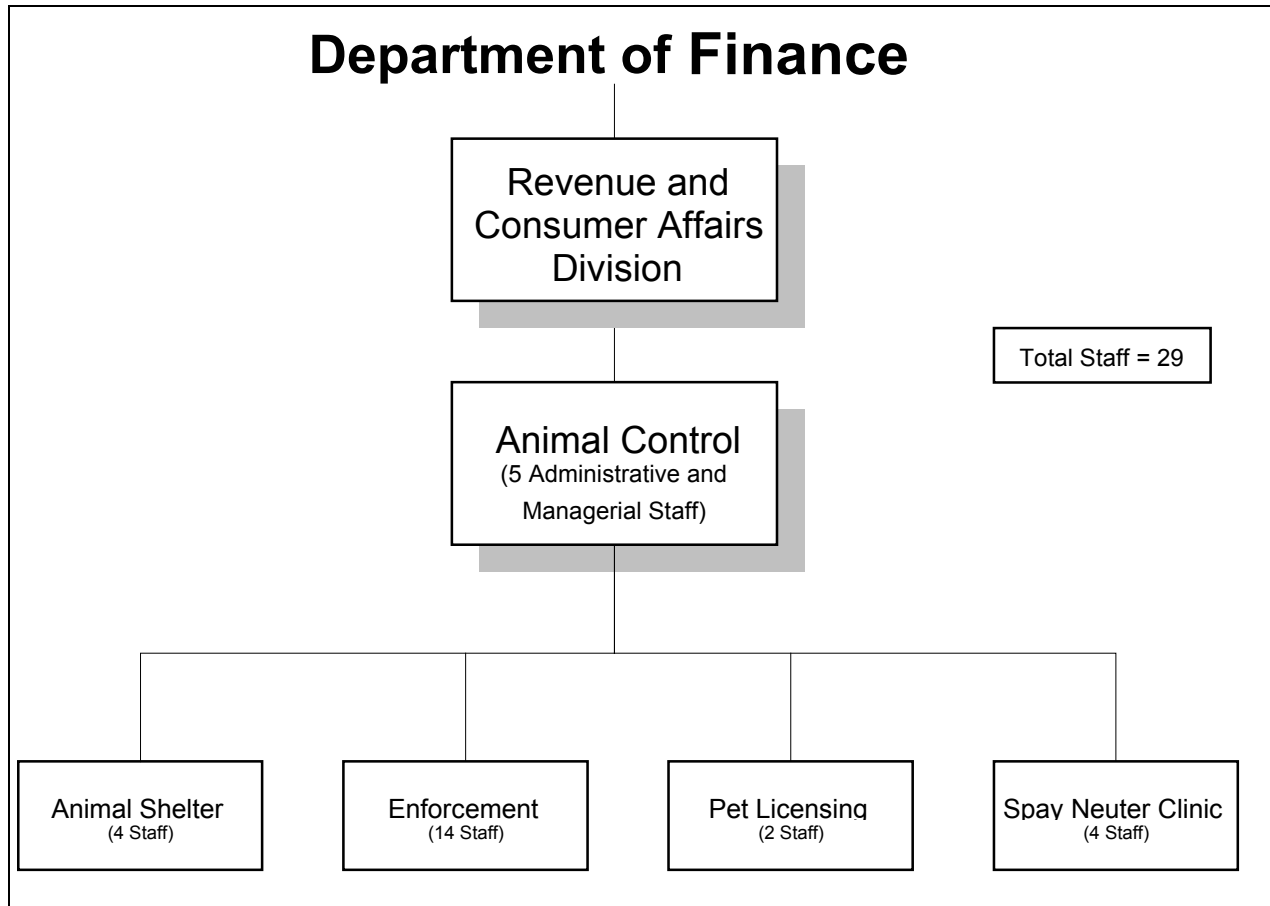


Table 1 shows Animal Control's staffing, revenues, expenditures, and services in 1994.

Table 1: Animal Control's 1994 Revenues, Expenditures, Fees, and Services by Section

Function	Spay Neuter Clinic	Animal Shelter	Pet Licensing	Enforcement
Number of Staff (29 total ²)	4	4	2	14
1994 Revenues ³	\$113,790	\$ 550,804		
1994 Expenditures	\$205,635	\$1,462,613		
Fees Charged	<ul style="list-style-type: none"> • Spay and Neuter: \$20 to \$50 • Microchip: \$10 to \$20 • Vaccination: \$5 	<ul style="list-style-type: none"> • Kennel Fee: \$7 per day • Reclaiming animals from shelter: \$35-\$105 • Adoption Fee: \$5 	<ul style="list-style-type: none"> • Altered dog license: \$10 • Unaltered dog license: \$22 • Altered cat license: \$7 • Unaltered cat: \$14 	<ul style="list-style-type: none"> • Citations: \$50 (citation revenue is collected by the Municipal Court for the City's General Fund)
Services provided in 1994	<ul style="list-style-type: none"> • 3,433 surgeries • Sold over 2,000 licenses • Tested over 1,000 cats for feline leukemia 	<ul style="list-style-type: none"> • 1,705 adoptions • Returned 1,121 animals to owner 	<ul style="list-style-type: none"> • Processed payments for 54,680 licenses • Sold 41,159 licenses 	<ul style="list-style-type: none"> • Issued 1,526 citations and 2,355 warnings • picked up 5,499 animals • sold 556 licenses • Supervised the pet canvassing program (which sold 4,827 licenses)

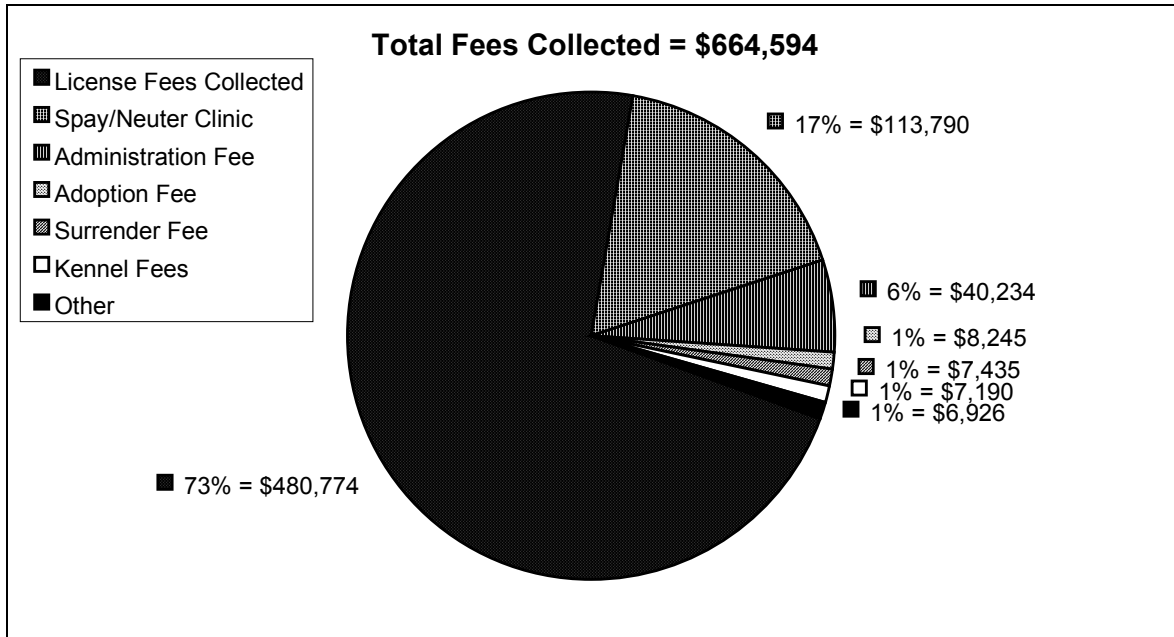
In 1994, Animal Control's Pet Licensing, Enforcement and Animal Shelter sections generated revenues of \$550,804 which represents 38 percent of the 1994 expenditures of \$1,462,613 for those three sections. Spay Neuter Clinic fees generated \$113,790 in revenues, which represents 55 percent of its 1994 expenditures of \$205,635. Pet licenses, which cost between \$7 for an altered cat and \$22 for an unaltered dog, provides most of Animal Control's revenue. Other revenue arises from a variety of fees such as adoption, kennel, and surrender fees. The Spay Neuter Clinic charges between \$20 to neuter a male cat to \$50 to spay a large female dog; \$20 for implanting microchips on pets brought in for spay and neuter services and

² This includes five administrative and managerial staff not shown in the individual sections.

³ This does not include revenue received from citations which Animal Control officers issued.

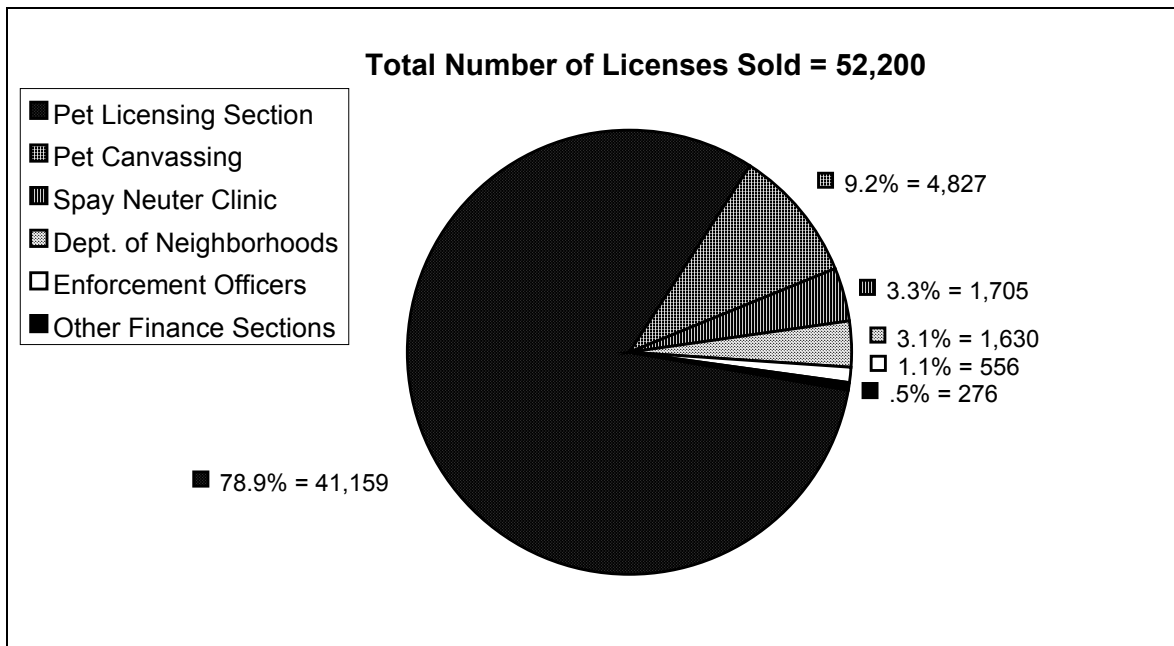
\$10 for pets adopted from the Animal Shelter; and \$5 for vaccination shots. Figure 2 shows the amount of revenues which the various Animal Control services generated in 1994.

Figure 2: Fees Collected in 1994 for Animal Control (From Animal Control's 1994 Annual Report)



As shown in Figure 3, many different groups sell pet licenses at a variety of locations.

Figure 3: Number of Pet Licenses Sold in 1994, by Seller



We contacted three private veterinarians to determine how the City's rates compared to those which private veterinarians charge. We found that the City charged considerably less than the private sector. In fact, one of the three veterinarians we contacted recommended to us that we use the City's Spay Neuter Clinic since, in his opinion, the clinic offered a very good service at a very reasonable rate. Table 2 shows the rates charged by the City and three private veterinarians in the City.

Table 2: Comparison of Rates Charged by the City and Three Private Veterinarians

Service	Animal Control Charges	Private Veterinarians Charges
Spay or Neuter	\$20 to \$50	\$80 to \$200
Microchip	\$10 to \$20	\$25 to \$30
Kennel Fee	\$7 per day	\$10 to \$13 per day

SCOPE AND METHODOLOGY

We examined elements of the Animal Control's management accountability system. We obtained our information from interviews with Department of Finance and Department of Neighborhood's staff and from observations and reviews of procedures. Among the information we analyzed and reviewed included:

- number of pet licenses sold;
- canvassing sales procedures, including controls over cash;
- discrepancies in various reporting forms;
- budget hearing tapes and budget submittals;
- information reviewed by Department of Licensing and Consumer Affairs and Department of Finance consolidation task force;
- State Auditor's Office special audit on Animal Control fraud;
- roles and functions of the four Animal Control functions (Enforcement, Pet Licensing, Animal Shelter and the Spay Neuter Clinic);
- procedures for collecting fees and processing payments;
- controls over cash receipts;

-
- inventory controls over license tags; and
 - demographic, revenue, complaints and citations data.

We also reviewed the support provided in the 1994 budget hearings for adding two additional enforcement officers and the studies regarding placing Animal Control in the Department of Finance. We conducted our work from November 1994 to May 1995 in accordance with generally accepted government auditing standards.

ANIMAL CONTROL'S ACHIEVEMENTS

According to Animal Control's annual report, it accomplished the following in 1994:

- implemented permanent pet license tags, resulting in an annual cost saving of \$9,500;
- implemented a microchip program;
- amended sections of the Animal Control ordinance;
- participated with other animal care agencies in developing a video to promote adoption and hosted a news conference to present the video;
- improved customer service by scanning dogs impounded in the field for microchips to expedite the release of animals to owners;
- developed a customer survey form and distributed it to citizens visiting Animal Control and to people whom field officers contact;
- tested 1,020 cats adopted from the shelter for feline leukemia; and
- participated in safety right-to-know training and incorporated safety suggestions from the State and the Animal Control Division Safety Committee.

RESULTS OF OUR WORK

ANIMAL CONTROL IS IMPROVING ITS MANAGEMENT ACCOUNTABILITY SYSTEM

Animal Control is in the process of developing a management accountability system for handling cash. It is developing the basic internal control procedures essential to prevent or detect theft and is considering ways to assess and improve the efficiency and effectiveness of its operations. Animal Control had been using a completely manual internal control system which relied heavily upon the trustworthiness of employees. This system frequently involved the same individuals handling cash and reviewing accounting transactions--an arrangement which allowed employees to pocket cash without detection. One employee was able to steal money from 1988 to 1995 without detection. Control procedures were either missing or ignored. Addendum A describes in detail the weaknesses we identified with the control procedures and the steps the Department of Finance and the Animal Control are taking to strengthen each control procedure.

The goal of an accountability system is effectiveness and efficiency of operations, reliability of financial and management reporting, and compliance with applicable laws, regulations, and policies. Because Animal Control did not have an adequate management accountability system, especially in regards to its cash handling functions, its financial and management reports were not reliable. Ideally, an operating unit builds the system around a financial structure and integrates its functions with control procedures and documentation, and information system and monitoring tools. To improve its management accountability system, Animal Control worked closely with our office to identify the problems and implement new policies and procedures to correct them. Animal Control has implemented many of the corrective actions and is in the process of addressing others by developing new procedures, a new database and a new system for receiving cash.

Information System Important for Management Oversight

Animal Control's management has recognized a need for an improved management information system and is currently working with the Department of Finance's Systems Services Division to develop an Animal Control database with management reporting capabilities.

Animal Control is improving its management information system and will be able to provide staff and management with reports to help them efficiently and effectively manage their day-to-day work and plan for future activities. Although Animal Control collected much useful data, it did not convey the information to staff and management so they could review and monitor activities. The types of data that it will be able to make readily available to staff and management include:

- number and types of services sold by unit;
- number and types of pet licenses sold by unit;
- number of new and renewed pet licenses sold;
- pet license tag inventory records;
- number and type of citations and warnings issued;
- amount of revenue that should have been collected; and
- amount of revenue actually collected.

Without this information, staff and management were not able to determine whether deposits matched sales and whether all stock inventory was accounted for; as a result, theft occurred without detection.

Control Procedures and Documentation Procedures Being Developed

Animal Control is developing management control elements to help prevent or detect incorrect recording and misappropriations of cash receipts. Many of the controls have already been implemented. Figure 5 highlights important management controls for cash handling that Animal Control is now using.

**Figure 4: Examples of Management Controls Improvements
Animal Control Has Made**

- Segregation of duties between payment receipt, processing and computer input to prevent individuals from pocketing payments and updating computer records to record payment in the Pet Licensing section.
- Independent review of payments and related accounting records to make sure that records agree to payments received for Pet Licensing, the Spay Neuter Clinic, and Animal Shelter. Logs to record the receipt of mailed-in payments to provide a record of what is received in Pet Licensing and the Spay Neuter Clinic.
- Consistent use of pre-numbered receipts and an independent review for intact sequence of receipts to ensure that cash received agrees to items sold by the Enforcement, the Spay Neuter Clinic, and the Animal Shelter section.
- Documentation of cash balancing to provide evidence of cash balances and to record the denominations of cash in the cash drawer in the Pet Licensing section.
- Review of deposit records to source documents to ensure that sales receipts were deposited intact by the Animal Shelter section and Enforcement Section.
- Inventory records for pet license tags and reconciliation of physical tags to sales records to ensure that the Pet Licensing section, the Enforcement section and the Spay Neuter Clinic account for all pet tags.
- Segregation of duties between mail receiving and accounting in the Spay Neuter Clinic.
- Restrictive endorsement of checks (for example, printing FOR DEPOSIT ONLY) upon checks received and pre-printed fee schedules on receipts by the Enforcement section.
- Cash register and separate cash boxes for each cashier in the Spay Neuter Clinic.
- Physical safeguards over cash and checks held overnight.

The lack of such essential control procedures and documentation resulted in theft (described above) that went undetected by Animal Control's management.

Recommendation #1 *The Department of Finance and its Animal Control unit has begun to develop a management accountability system for Animal Control. (Addendum A lists in detail the problems we noted in Animal Control's management accountability system and the steps Animal Control has taken or intends to take to address the problems.) Several areas that will require continued special attention from Animal Control include ensuring that:*

-
- *Animal Control creates an explicit audit trail for all transactions;*
 - *all staff collecting money have access to their own cash box;*
 - *staff use pre-number receipts and are accountable for all receipts they receive;*
 - *staff and supervisors comply with procedures;*
 - *appropriate levels of supervisory review occur at all necessary steps;*
 - *Animal Control actually implements planned improvements; and,*
 - *Animal Control notifies the City Council of its expected implementation dates and provides periodic status reports.*

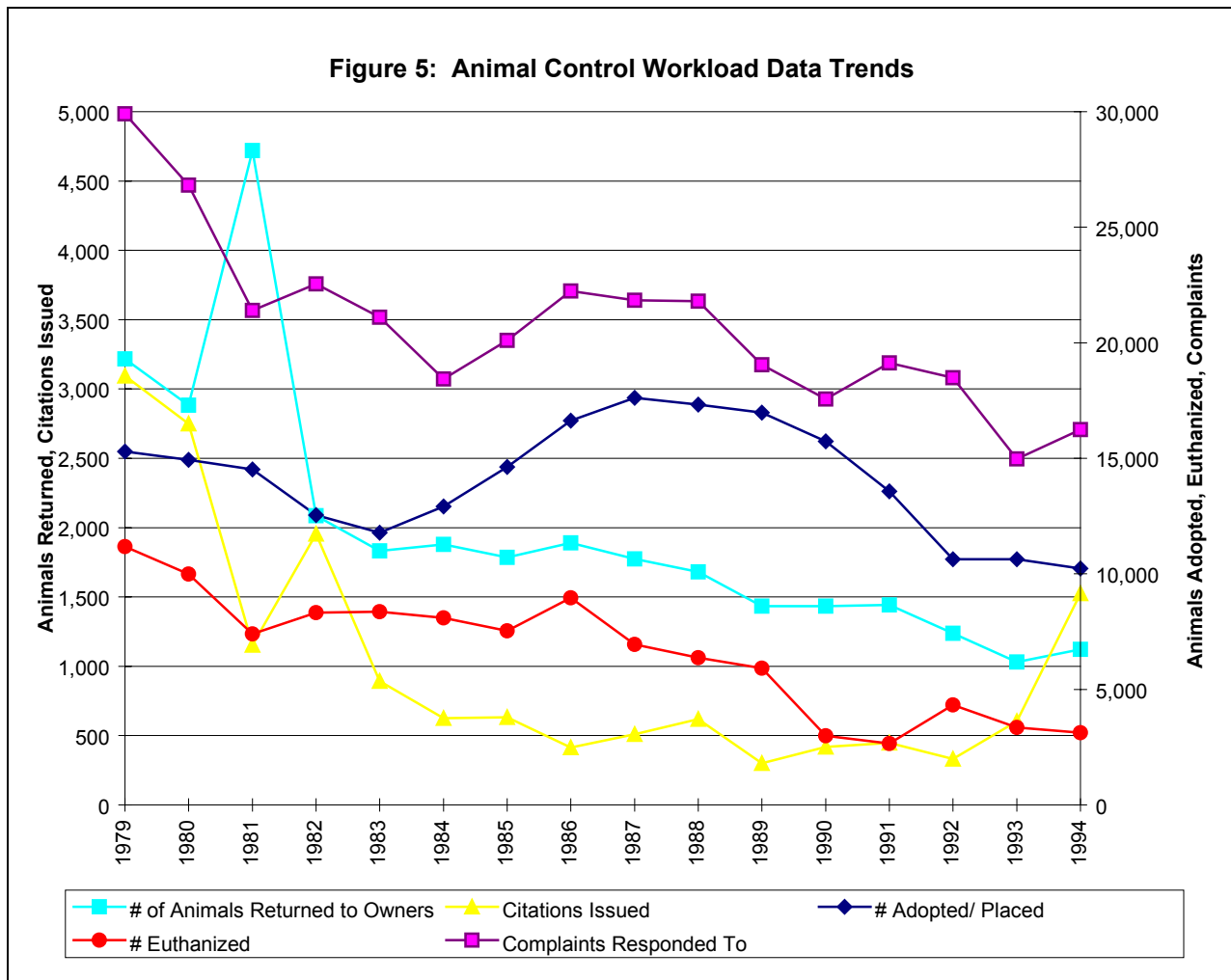
Accumulation of all recommendations can be found in Addendum B.

**STAFFING REDUCTIONS
HAVE NOT MATCHED
WORKLOAD DECLINES, AND
THE REVENUE FROM
ADDITIONAL ENFORCEMENT
OFFICERS HAS NOT
COVERED THEIR COSTS**

Since 1979, Animal Control's staff level has declined considerably less than its workload. During this period, staffing declined 17 percent, from 35 to 29. As seen in Table 3 and figure 5; however, Animal Control has experienced an even more significant decline in workload during the same period. The extent of the workload decline ranged from 23 percent in the number of licenses sold to 72 percent in the number of animals euthanized and 65 percent in the number of animals returned to owners. The Spay Neuter Clinic has also seen a decline in its workload from a high in 1990 of 4,153 surgeries performed to 3,433 in 1994 (a 17 percent decline). Animal Control's overall expenditures increased 32 percent from 1983 to 1994.

Table 3: Decline in Animal Control's Workload from 1979-1994

Year	Animals Returned to Owners	Animals Adopted/ Placed	Animals Euthanized	Citations Issued	Complaints Responded	Licenses Sold
1979	3,216	2,549	11,180	3,095	29,908	71,017
1980	2,882	2,489	9,997	2,750	26,821	64,385
1981	4,719	2,420	7,399	1,154	21,394	50,179
1982	2,087	2,090	8,320	1,954	22,543	48,925
1983	1,833	1,964	8,356	893	21,106	39,269
1984	1,879	2,152	8,101	625	18,433	41,833
1985	1,786	2,438	7,535	632	20,096	40,736
1986	1,890	2,772	8,963	415	22,238	41,773
1987	1,775	2,937	6,942	509	21,840	40,364
1988	1,680	2,888	6,376	619	21,800	46,862
1989	1,433	2,830	5,922	300	19,044	43,657
1990	1,433	2,622	2,986	418	17,571	40,476
1991	1,442	2,262	2,657	447	19,134	46,900
1992	1,238	1,771	4,332	331	18,488	45,583
1993	1,030	1,773	3,359	604	14,971	44,075
1994	1,121	1,705	3,119	1,526	16,243	54,680
increase/ (decrease) 1979-1994	(65%)	(33%)	(72%)	(51%)	(46%)	(23%)



In its 1993 budget submittal, Animal Control requested, and received, two additional Animal Control officers. Animal Control's impetus for making this request came from the Department of Parks and Recreation's concern over the large number of stray and unleashed dogs in City Parks. The Department of Licenses and Consumer Affairs, Animal Control's parent department at the time, projected in its 1994 budget submittal that the additional officers would generate sufficient revenues from issuing citations in the parks to cover the costs of two additional Enforcement officers. In calculating this revenue projection, the Department of Licenses and Consumer Affairs estimated that the two additional officers together would issue more than 2,700 citations. In 1993, with 10 Enforcement officers, Animal Control issued only 604 citations in total. In 1994, with 12 Enforcement officers, Animal Control issued about 1,500 citations. We estimate that the additional two officers, based on the number of citations

issued in 1994, resulted in a net cost to the City of about \$27,000 a year.⁴ In its response to this audit, the Department of Finance took the position that the cost of the two additional officers should not have been totally justified by the additional revenue they would generate. The Department stated that the officers were needed to supply additional coverage in the City parks

Recommendation #2 *The Department of Finance, Office of Management and Planning and the City Council may want to re-evaluate the need for two additional officers in light of the workload decreases and additional costs and determine whether other policy considerations such as the new off-leash park areas justify the expense of these two officers.*

Accumulation of all recommendations can be found in Addendum B.

⁴ This cost is based on the actual increase in parks off-leash citations reported by Animal Control from January through October 1994. Since the two Enforcement officers started in the months of April and May, we assumed that the officers began issuing citations in June. The increase reported by Animal Control would equal 1,945 citations annually. At \$50 per citation, and applying the 65 percent collection rate of the Seattle Municipal Court, Animal Control would collect about \$63,000 in revenues. Animal Control has indicated that revenues did not meet projections because it issued verbal warnings in the parks, instead of citations because of the public's reactions to its Enforcement efforts. But even if Animal Control had issued citations instead of warnings, the additional parks Enforcement efforts would have resulted in a net cost of \$16,000.

ANIMAL CONTROL WOULD BENEFIT FROM MANAGED COMPETITION REVIEW

Many jurisdictions are reviewing lines of business and creating competition for the provision of Animal Control services. Creating competition improves the provision of services by identifying the most efficient means of providing a service; and creating incentives and benchmarks to improve the performance of City provided services. As noted by Richard Tindal in the October 1995, Government Finance Review, a primary reason for advocating managed competition is that it stimulates greater efficiency and productivity among municipal personnel.

A 1995 survey conducted by the Atlanta-based Mercer Group, Inc., found that the percentage of jurisdictions contracting for Animal Control services had increased from 14 percent in 1987 to 21 percent in 1995. Based on their survey of Animal Control services and 19 other local services, Mercer Group, Inc. concluded that contracting-out, outsourcing and privatization “represent a growing means of providing services at lower cost, and the potential for increases in the level of service quality.”

Local governments use a “managed competition” model to reduce the cost and improve the quality of services by carefully comparing the costs and benefits of contracting with private business or another government entity against the costs and benefits of providing the service directly. It may lead to contracting out of services or to improved in-house efficiency and makes no assumption that either the local government or private business automatically does a better job of providing services. Managed competition may range from obtaining formal or informal bids from public and private providers for possible privatization to simply collecting industry-wide or local-provider cost data as a benchmark against which in-house providers may evaluate their efficiency and strive for efficiencies. The competition may include other governmental entities, as well as private businesses.

Animal Control has recently participated in two studies of limited scope which addressed the City’s service delivery options for providing animal control services. However, we believe further study is needed because these studies looked primarily at whether various department’s wanted or did not want Animal Control (as one large entity with its four sections) rather than on where it would function most efficiently. Also, these studies did not:

- include cost analyses;

-
- document the support for their conclusions;
 - review whether Seattle needs to still be in those lines of business;
 - consider whether the City could provide services more efficiently if it located the four individual sections of Animal Control in more than one City department;
 - adequately consider whether nonprofits, King County, or the private sector should provide some Animal Control services;
 - create competition; and
 - create incentives and benchmarks to improve the performance of the service.

Since completing these two reviews, the City has developed a managed competition model for evaluating services. The model presents an approach for evaluating services to determine the most efficient means of providing the services and to encourage improvements in internal efficiencies. (See Addendum D for Seattle's Cost Methodology.) The process includes an evaluation of

- whether there is a better way to do the job;
- a comparison of the relative cost and benefits of alternative services delivery; and
- a comparison of other important non-financial difference between public and private provision.

The Department of Administrative Services was successful in finding internal efficiencies leading to large cost savings by evaluating its internal telephone services through a managed-competition process.

During the last study of Animal Control, the Departments of Finance, Police, Parks and Recreation, and Neighborhoods reviewed the positive and negative aspects of assimilating Animal Control, as a whole, into their department. From their analysis, it is apparent that Animal Control, as a whole, does not easily fit within any of these departments but that certain sections would fit well in various departments. By examining the Pet Licensing, Enforcement, Animal Shelter, and the Spay Neuter Clinic as four separate services which do not necessarily need to be performed by the same department and

by using the City's managed competition model when appropriate, the City may be able to provide each of those four services more efficiently.

Options for Further Study

Below are examples of options that the City may want to consider and analyze. However, the examples we provide are not meant to be an exhaustive list, nor the best set of options. We present them only as possible options.

- Spay Neuter Clinic: The services provided by the Spay Neuter Clinic are readily available in the private sector making this service a prime candidate for a managed competition review. Options include the City's directly subsidizing the cost of spay/neuter services through vouchers or indirectly subsidizing the cost by charging substantially more for licenses for cats and dogs who are unaltered.

Also, the Spay Neuter Clinic, as a separate function, may fit better in other departments such as the Department of Public Health. The Clinic is already seeking ways to improve its efficiency. One option currently being explored is for the Clinic to perform spay and neuter services for animals at the King County's animal control.

- Animal Shelter: The Animal Shelter is a good candidate for a managed competition review. Animal Shelter services can be provided through a contract with a for-profit or nonprofit organization. It also may fit well in other departments. For instance, the Department of Parks and Recreation, in studying incorporating Animal Control, stated that they had the maintenance and craft expertise to maintain the animal shelter facility as well as the knowledge and experience with animal care and animal health issues.
- Enforcement: The Enforcement section may fit well in the Police Department. In its study of placing Animal Control in the Police Department, the Police Department stated that the enforcement function of Animal Control shares some commonality with work of the Police Department. Also, placing the Animal Control enforcement function in the Police Department would result in sharing of resources and reducing of duplicate efforts.
- Pet Licensing: There is not a strong need to evaluate Pet Licensing because it is a small function with only two staff

and it seems to fit well in the Department of Finance.

Another option the City may want to consider is spinning off the Spay Neuter Clinic and the Animal Shelter into nonprofits as the City has done with other activities, such as the Bumbershoot Festival. The nonprofits could lease the space currently occupied by the City.

By re-examining the Spay Neuter Clinic, Pet Licensing, the Animal Shelter, and the Enforcement function as separate activities, and by looking at whether an outside provider may perform Animal Shelter and Spay Neuter Clinic services more efficiently, the City may be able to reduce the costs of providing these services. Figure 4 provides the basic managed competition factors that need to be addressed in evaluating service delivery options for Animal Control.

Figure 6: Managed Competition Questions

**Managed Competition Factors to Consider in
Evaluating Service Delivery Options⁵**

- Market strength -- What is the ability and availability of other providers, such as other departments, outside private or non-profit providers or King County?
- Political resistance -- What is the amount of opposition to change from the public, users of the service, interest groups and public officials for Enforcement, Pet Licensing, Animal Shelter or the Spay Neuter Clinic?
- Cost Efficiency -- Will costs decrease or increase if other departments, outside private or non-profit providers or King County provide these services?
- Quality of Service -- How would any changes affect current service quality? Are there opportunities to improve service quality for the same or lower cost? Would other departments, private or non-profit providers or King County as readily make changes in service delivery in response to citizen complaints?
- Impact on Employees -- What effect would the alternative delivery methods have on current employees, such as opportunities to transfer to the new provider, or loss of jobs? Can the City mitigate these effects?
- Legal Barriers -- Do legal barriers exist? If so, how can they be addressed?
- Risk -- Do service, non-performance and other risks exist, and how great are they? What are the potential consequences?
- Resources -- What resource advantage does the Department of Finance have over alternative providers and vice versa?
- Control -- How well will the City be able to oversee the quality and quantity of services it obtains from alternative providers?
- City Values -- Would contracting with private or non-profit providers or King County result in compromising core City values?

The City Auditor's Office is available to participate on an evaluation team to ask appropriate questions and provide objective analysis and other evaluation support. However, even when studying the four sections separately, the analysis must factor in the intangible benefits that exist by having those four functions provided together. In responding to our audit, the Department of Finance stated that splitting up Animal Control functions would result in losing the synergistic effects

⁵ Adopted from Making Effective Use of Managed Competition, Office of City Auditor, January 11, 1995.

which come from the present close relationship of the different Animal Control functions. The Department response cited, for example, the way the entire Animal Control sections works together as a single unit to process, care for and work out adoptions for groups of animals rescued from unsanitary conditions; however, we found no evidence that suggests that the City cannot split up these functions or that the present synergistic efficiencies between animal-control functions in the Department of Finance could not be surpassed by other synergy's if the City located animal-control functions individually elsewhere.

Recommendation #3 *The manager of Animal Control should prepare a report which analyzes the service delivery options for the four Animal Control sections. We recommend that the study use a managed competition approach which includes:*

- *cost analyses;*
- *documenting the support for their conclusions;*
- *reviewing whether Seattle needs to still be in those lines of business;*
- *considering whether the City could provide services more efficiently if it located the four individual sections of Animal Control in more than one City department;*
- *considering whether nonprofits, King County, or the private sector should provide some Animal Control services;*
- *creating competition; and*
- *creating incentives and benchmarks to improve the performance of the service.*

Animal Control should coordinate with the Office of Management and Planning and our office for the development of this study.

Accumulation of all recommendations can be found in Addendum B.

ADDENDA

- A. Animal Control's Action Plan to Improve its Management Accountability Over Cash Receipts
- B. Office of City Auditor's Audit Recommendations
- C. Department of Finance's Response to Our Audit Report
- D. Seattle Cost Comparison Methodology

Animal Control's Action Plan to Improve its Management Accountability System Over Cash Receipts

Management Accountability Components	Control Condition	Action Plan
<i>Cash Receipts</i>		
<i>Mail Receipts</i>		
Segregation Between Mail Receipt and Accounting - Pet Licensing Section, Spay Neuter Clinic	Staff in both areas open payments received in the mail and also initiate accounting entries. This provides individuals with complete control over payments, and allows them to misappropriate moneys without detection.	Animal Control plans to have the Finance Department's Remittance Processing Section process renewals. This includes opening mail, inputting renewal information, and batching and depositing moneys collected.
Check Receipt Logs - Pet Licensing Section, Spay Neuter Clinic	The Pet Licensing Section and Spay Neuter Clinic do not maintain a record of checks received in the mail to compare against the daily deposit. Thus, Animal Control may not detect payments received by mail that are lost or stolen.	The Remittance Processing Section of the Department of Finance will open and process the renewals (cash and checks) it receives in the mail. It will encode the back of each check with the batch run number, the deposit account number, the unique identifier number (customer number) and the processing date. The documentation (renewal) will be encoded with the same information at the time the check is processed. Remittance Processing will batch the renewal notices with tapes containing the total cash received. Animal Control will then scan the renewal notices into the computer system. The amount scanned into the system will have to balance to the actual cash received by Remittance Processing. It will be entered using a payment date to match the deposit date.
<i>Cash Sales</i>		
Check Endorsement - Pet Licensing Section, Department of Neighborhoods, Spay Neuter Clinic	Staff restrictively endorse checks ("City of Seattle, For Deposit Only") upon receipt to help ensure that unauthorized individuals cannot cash checks.	Adequate controls in place.
Check Endorsement - Department of Finance - Revenue and Consumer Affairs Division	Staff do not always restrictively endorse checks upon receipt. In addition, division staff sometimes forward checks to Animal Control without endorsement.	The division will endorse checks upon receipt starting immediately.
Check Endorsement - Enforcement Section	Enforcement staff do not restrictively endorse checks upon receipt.	The Section plans to obtain an endorsement stamp and endorse checks upon receipt.
Pre-Numbered Pet License Receipts - Enforcement Section	Enforcement officers and canvassers do not always use pre-numbered receipts to help ensure that sales records and cash receipts are intact.	The Enforcement Section has now consistently implemented the use of pre-numbered receipts.

Animal Control's Action Plan to Improve its Management Accountability System Over Cash Receipts

Pre-Numbered Case History Forms - Animal Care	Animal Care did not use pre-numbered case history forms, and therefore, could not ensure that its records were intact to verify cash receipts.	The computer system will generate case history with system assigned numbers.
Pre-numbered Receipts - Spay Neuter Clinic	Receipts were not pre-numbered; therefore, the clinic could not ensure that its sales records were intact to check the accuracy of its cash receipts.	The clinic implemented use of pre-numbered receipts, which the supervisor reviews for intact numerical sequencing.
Cash Balancing - Spay Neuter Clinic	The clinic supervisor did not review cash received against source documents to ensure that all proceeds were accounted for.	The clinic implemented a supervisory review.
Cash Balancing - Pet Licensing Section	<p>The Pet Licensing Section does not have an independent person balance the cash/checks against the cash register tape and deposit slip to ensure that the Pet License staff deposit the appropriate amount of money.</p> <p>Furthermore, staff did not comply with City payment processing guidelines, which require documentation of cash by denomination and checks received on a cash count sheet.</p>	<p>The section now has an independent review of cash register tapes against deposit slips.</p> <p>Animal Control plans to have the new system generate a cash count sheet, which the Pet Licensing Section will use to verify cash.</p>
Cash Register - Spay Neuter Clinic	<p>The clinic did not have a cash register and instead used a cash box and totaled payments manually, a system that is prone to error and is inefficient.</p> <p>In addition, up to four clinic staff can access the cash box. There is no balancing and closing out process when cashiers relieve one another. Thus, there would be no way to identify who is responsible in case of cash offages.</p>	<p>Animal Control is currently working with DOF's Systems Services to develop a new database system with cash receipting functions. The clinic plans to use this system for its payment receipting.</p> <p>Each staff person will log in to the computer system when handling a transaction. This will allow Animal Control to track who collected moneys in the clinic. However, it will still not allow Animal Control to identify which staff members are responsible if a cash offage occurs.</p>
Pre-Printed Fee Schedule - Enforcement Section and Pet Canvassing Program	Receipts are not printed with official license fees, allowing the seller to charge a price above the official fee and pocket the difference.	The Enforcement section re-designed its receipts to include license fee information. The section started using these receipts in July 1995.
Treasurer's Receipt Review - Animal Care	Animal Care staff could not review deposits made on their behalf by Pet Licensing because Treasurer's receipts were not returned to Animal Care. Thus staff could not verify that deposits were made intact.	The new database and cash receipting system is will include information on where sales originated and will generate reports which will be given to each unit for verification to source documents.

Animal Control's Action Plan to Improve its Management Accountability System Over Cash Receipts

Treasurer's Receipt Review - Spay Neuter Clinic, Animal Care, Enforcement, Department of Finance - Revenue and Consumer Affairs Division	Staff could not verify that license deposits made on their behalf by Licensing were intact, because the Pet Licensing Section did not break out total sales by originating area.	The system under development will include sales totals for each originating unit. (A person independent from Licensing should verify that actual deposits agree to sales totals.)
<i>General</i>		
Daily Deposit of Cash Receipts - Pet Licensing Section, Spay Neuter Clinic, Enforcement Section	Animal Control's policy requires daily deposit of over-the-counter cash receipts and deposit within 48 hours of mailed in receipts.	Adequate controls are in place.
Supervisory Review and Segregation of Duties - Spay Neuter Clinic	There was no supervisory review of accounting transactions. The same individual collected fees, printed licenses, prepared the surgery deposit and accounting entry, and sent the payments to the Pet Licensing section without a supervisory review.	The clinic has since implemented a supervisory review.
Supervisory Review and Segregation of Duties - Pet Canvassing Program	Pet canvassing supervisors sell licenses, review sales records against issued licenses and verify license tag inventories, a conflict of duties that could allow theft or errors to occur without detection.	The Pet Licensing section has implemented a review process to ensure that all pet licenses are accounted for and agree to cash receipts.
Supervisory Review and Segregation of Duties - Enforcement Section	There is no supervisory review of Enforcement officer cash receipts. Enforcement officers sell licenses in the community and turn in cash to the Pet Licensing cashier without an independent review.	Cash collected in the field will be input into the computer system and will be flagged as received. Receipt numbers will be input into computer. <i>Animal Control still has to determine how adequate supervisory review will occur.</i>
Supervisory Review and Segregation of Duties - Licensing Section	Virtually all moneys flow through the Pet Licensing section, and staff members exercise almost total control over these transactions. Staff members process payments, receive deposit receipts, and update the Licensing database.	The Animal Control manager now reviews records daily to ensure that cash register tapes agree to deposit records.
Physical Safekeeping Of Cash and Checks - Pet Canvassing Program	The Enforcement section deposited pet canvassing cash receipts into a cash box which was accessible to Enforcement officers.	During the time of the audit, Animal Control purchased a safe with a tamper proof drop slot, which will be used by the supervisor when Animal Control resumes the Pet Canvassing Program.
Physical Safekeeping Of Cash and Checks - Pet Licensing Section	Cash (change fund) and checks were held overnight in a locked closet.	Animal Control purchased a tamper proof safe and secured it to the floor.

Animal Control's Action Plan to Improve its Management Accountability System Over Cash Receipts

Split Payment Processing - Spay Neuter Clinic	The Spay Neuter Clinic lacked a clear paper trail when customers paid for more than one service with checks. To process this type of payment, the Clinic staff offset the entire check against one type of revenue and substituted cash payments received for the other type of revenue. In the absence of verification controls, staff may not have detected misappropriated moneys.	The Spay Neuter Clinic has discontinued this process and now maintains a paper trail to support complete customer transactions.
Direct Deposit of Proceeds - Department of Neighborhoods	The Department of Neighborhoods deposits license moneys to the Treasurer's Clearing account, thus ensuring timely deposit.	Adequate controls are in place.
Direct Deposit of Proceeds - Department of Finance, Revenue and Consumer Affairs Division	The Revenue and Consumer Affairs Division, located in the Municipal Building, does not deposit license moneys; instead, it sends those moneys by courier to Animal Control, located on Elliott Avenue, for processing. This process is inefficient and could result in misappropriated payments.	The division plans to directly deposit Animal Control license moneys in the future.
Pet License Tag Inventory - Department of Neighborhoods	The Department of Neighborhoods' Collection Coordinator reviews records of tag inventories against tags on hand and cash register tapes for agreement.	Adequate controls are in place.
Pet License Tag Inventory - Pet Canvassing Program	The Canvassing supervisor verifies that all tags are accounted for on a daily basis.	Adequate controls are in place.
Pet License Tag Inventory - Pet Licensing Section	The Pet Licensing section did not maintain records of license tag inventories and tags issued to other areas for sale. The section also did not have an independent party check to ensure that the section's records of pet tags sold agreed to its actual inventory of license tags, nor did it perform an independent verification of license tags issued against reported sales for areas to which it issued license tags.	The Pet Licensing supervisor now maintains license tag inventory records and verifies that sales agree to the number of tags issued.
Donations		
Pre-numbered receipts - Enforcement Section	Enforcement officers issue pre-numbered receipts when they receive donations in the field.	Adequate controls are in place.
Disbursements approval - Animal Control	Disbursements from the donation fund (Help the Animals Fund) require approval from the Director of the Department of Finance.	Adequate controls are in place.
Comparison of source documents to	Pet Licensing is not easily able to ensure proper and timely	Pet Licensing has implemented a process to copy

Animal Control's Action Plan to Improve its Management Accountability System Over Cash Receipts

Management Accountability Components	Control Condition	Action Plan
posted entries - Pet Licensing	posting of donations received to the Help the Animals Fund.	transmittals showing the amount of donations it has received, but without posting reports, it cannot easily verify posting.
Monitoring of fund balance - Animal Control	Animal Control is not easily able to monitor additions to the fund as they receive financial reports only once a quarter. Therefore, it is difficult for Animal Control's management to plan for the use of such funds.	Animal Control is evaluating ways to address this issue.
<i>Information and Communication</i>	<p>Animal Control's information system did not produce management reports needed by Animal Control staff to effectively manage its functions.</p> <p>Management should be able to obtain easily such data from its information system as:</p> <ul style="list-style-type: none"> • number of complaints received in a certain time period by type and location (for example, dog-off-leash complaints from parks, vicious and menacing dog complaints); • number and type of licenses sold (for example, altered vs. unaltered dogs and cats) by site; • number and types of services sold in a given period (for example, surgeries, animal care); and • donations received and authorized draws from the donation fund. 	Animal Control's new computer system will be able to generate these reports.

Office of City Auditor's Audit Recommendations

Recommendation #1

The Department of Finance and its Animal Control unit has begun to develop a management accountability system for Animal Control. (Addendum A lists in detail the problems we noted in Animal Control's management accountability system and the steps Animal Control has taken or intends to take to address the problems.) Several areas that will require continued special attention from Animal Control include ensuring that:

- Animal Control creates an explicit audit trail for all transactions;
- all staff collecting money have access to their own cash box;
- staff use pre-number receipts and are accountable for all receipts they receive;
- staff and supervisors comply with procedures;
- appropriate levels of supervisory review occur at all necessary steps;
- Animal Control actually implements planned improvements; and,
- Animal Control notifies the City Council of its expected implementation dates and provides periodic status reports.

Recommendation #2

The Department of Finance, Office of Management and Planning and the City Council may want to re-evaluate the need for two additional officers in light of the workload decreases and additional costs and determine whether other policy considerations such as the new off-leash park areas justify the expense of these two officers.

Recommendation #3

The manager of Animal Control should prepare a report which analyzes the service delivery options for the four Animal Control sections. We recommend that the study use a managed competition approach which includes:

- cost analyses;
- documenting the support for their conclusions;
- reviewing whether Seattle needs to still be in those lines of business;
- considering whether the City could provide services more

Office of City Auditor's Audit Recommendations

efficiently if it located the four individual sections of Animal Control in more than one City department;

- considering whether nonprofits, King County, or the private sector should provide some Animal Control services;
- creating competition; and
- creating incentives and benchmarks to improve the performance of the service.

Animal Control should coordinate with the Office of Management and Planning and our office for the development of this study

Department of Finance's Response to Our Audit

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Department of Finance's Response to Our Audit

Department of Finance's Response to Our Audit

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Seattle Cost Comparison Methodology

COMPARING WAYS OF PROVIDING SERVICE

This methodology is designed to help the City compare different ways of providing a product or service. The methodology has three steps: first, an analysis of the task(s) under study to determine whether there is a better way public employees can do the job; second, a comparison of the relative costs and benefits of alternative methods of public or private service delivery; and third, a comparison of other potentially important differences between public and private provision that are not naturally measured in financial terms.

STEP 1: Task evaluation

The purpose of this step is to decide whether the way a job or task is defined allows the work to be provided in the most cost-effective way. This evaluation should address the following questions:

- Does the way we do the task take advantage of **economies of scope** or would it be more cost effective to perform a certain set of tasks as a package? Economies of scope should take into consideration the potential for combining related or similar tasks in one or different departments.
- Does the way we work take advantage of **economies of scale** or should we be doing this work in different size pieces? (For example, should one team be performing a type of task or serving a particular client consistently, rather than switching teams around?)
- Does the way we work adjust efficiently to **temporary or seasonal needs**? Such adjustments may include involving another department in temporary work overflow or using TES.
- Does the way we work effectively **match up specialized skills with specialized needs**? Would a “talent bank” of in-house resource people improve the efficiency or quality of work?
- Does our way of providing service take appropriate opportunity to **generate added revenue or add value**? When the City provides a service to a customer, does the City anticipate and offer complementary goods or services the customer might also want?
- Can we change the way public employees do this work to give us “yes” answers to all the above questions? **Describe an alternative way if there is one that public employees could do this task or combination of tasks better.**

STEP 2: Comparison of financial costs

The purpose of this step is to compare the costs of different ways public employees and private employees could perform the tasks under review and to highlight any ways in which the City could improve the efficiency of its operations.

In particular, the **Seattle Cost Comparison Methodology** compares both the fully allocated and the avoided costs associated with alternative service delivery methods, public and private. Each option can be assigned a dollar value relative to the current way the City performs the task(s).

Seattle Cost Comparison Methodology

STEP 2

COST COMPARISON METHODOLOGY

Do Not Use Out of Context. Proceed With Step 2 Only After You Have Completed Step 1, Task Evaluation. When comparing in-house alternatives, complete Parts A and B. When comparing in-house scenarios to private-provision, complete Parts A and C (or Parts, A, B and C).

Project Name _____ Project Number _____

Part A: In-House Alternative

	COST ESTIMATES		
	Fully-Allocated Costs	Avoidable Costs	ACTUAL COSTS
Direct Costs			
Plans, Specifications, & Estimates	_____	_____	_____
Labor	_____	_____	_____
Fringe Benefits	_____	_____	_____
Equipment Purchase	_____	_____	_____
Equipment Rental	_____	_____	_____
Facilities for exclusive use of service	_____	_____	_____
Interest on capital items purchased for exclusive use of service	_____	_____	_____
Materials & Supplies	_____	_____	_____
Printing	_____	_____	_____
Travel	_____	_____	_____
Allocated Indirect (Overhead) Costs (Revenue)	_____	_____	_____
TOTAL	=====	=====	=====

Part B: In-House Alternative

	COST ESTIMATES		
	Fully-Allocated Costs	Avoidable Costs	ACTUAL COSTS
Direct Costs			
Plans, Specifications, & Estimates	_____	_____	_____
Labor	_____	_____	_____
Fringe Benefits	_____	_____	_____
Equipment Purchase	_____	_____	_____
Equipment Rental	_____	_____	_____
Facilities for exclusive use of service	_____	_____	_____
Interest on capital items purchased for exclusive use of service	_____	_____	_____
Materials & Supplies	_____	_____	_____
Printing	_____	_____	_____
Travel	_____	_____	_____
Allocated Indirect (Overhead) Costs (Revenue)	_____	_____	_____
TOTAL	=====	=====	=====

If you are comparing two alternatives for in-house provision, calculate the estimated savings (loss) and enter it below.

SAVINGS (LOSS) =====

Seattle Cost Comparison Methodology

STEP 2 (Continued) COST COMPARISON METHODOLOGY

If you are comparing in-house provision to private-provision, complete part C on this page. If you are comparing only in-house alternatives, this ends step 2. Please go to Step 3, Comparisons of Other Significant Benefits and Costs of Alternative Methods of Service Delivery. DO NOT USE STEP 2 OUT OF CONTEXT. You must combine these results with the results of Step 1 and Step 3.

Part C: Private Provision Alternative

	COST ESTIMATES		ACTUAL COSTS
	Fully-Allocated Costs	Avoidable Costs	
Contractor's Price			
Plans, Specifications, & Estimates			
Contract Administration Costs			
Procurement			
Contract Negotiations			
Contract Award			
Processing amendments and change orders			
Resolution of Disputes			
Processing contractor invoices			
Contract monitoring, inspecting and evaluating quality of work and materials.			
Allocated Indirect (Overhead) Costs			
One Time Conversion Costs			
(Revenue)	()	()	()
TOTAL			
SAVINGS (LOSS)			

When you have completed Step 2, move on to Step 3, Comparison of Other Significant Benefits and Costs of Alternative Methods of Service Delivery. DO NOT USE STEP 2 OUT OF CONTEXT. Step 2 is not a "stand alone" tool; it is an integral part of the complete Comparison Methodology. You must combine it with the results of Step 1 and Step 3.

Seattle Cost Comparison Methodology

Elements of Cost Comparison

I. Costs of “In-House” Provision--Things to Measure

A. In-House Fully Allocated Costs = Direct Costs + Share of Indirect (Overhead) Costs.

1. Direct Costs: Direct costs are those that benefit, and thus are totally chargeable, to a given service or project. Examples are the salaries, wages, and benefits paid to employees for work they perform exclusively (100%) on a given project or service, including the creation of plans, specifications and estimates. It would also include related supplies, materials, travel, printing, rent, utilities, communications and other items. Interest on capital items purchased exclusively for a project or service would also be included as a direct cost, as would facilities and capital equipment, and the appropriate depreciation costs or use allowance factors.

2. Indirect (Overhead) Costs: Indirect costs are those incurred for the benefit of a project or service and at least one other service, program, project, or activity. Examples would be certain administrative and support services, such as payroll offices. These include the salaries, wages, fringe benefits, supplies and materials, travel, printing, rent, utilities, communications and other costs that benefit the service or project and at least one other service or program. Also included would be applicable interest costs and depreciation or use allowance costs on shared facilities and equipment.

B. Avoidable Costs: An option to using fully-allocated costs as the measure of the cost to perform services in-house is avoidable costs. Avoidable costs are those **in-house costs that will not be incurred** if one chooses an alternative service provider. Avoidable costs help determine the potential costs savings of alternative service provision.

II. Cost of Private Provision--Things to Measure

Total Contracting Cost = Cost to Prepare Plans/Specs/Estimate + Contractor Price + Administration
Cost + Share of Indirect (Overhead) Cost + Amortized Conversion Costs -
Revenue

A. Contractor’s Price: These are the total costs a contractor would charge to perform a service or project, as outlined in the scope of work and should reflect such costs as indemnification.

B. Contract Administration & Monitoring Costs: These are the costs of all activities that take place from the time a decision is made to contract out until the contract is fully executed and final payment is made. Examples of contract administration costs are: procurement, contract negotiations, contract award, processing amendments and change orders, the resolution of disputes, the processing of contractor invoices, and contract monitoring and evaluation.

C. Indirect (Overhead) Costs: These are the costs incurred to support the administration and monitoring of more than one contract. Each project would bear a share of the cost of space, telephone, and computer equipment used by project management to support a number of projects.

D. One-Time Conversion Costs: These are one-time costs which are sometimes incurred when converting a service from in-house to contract service delivery. Examples are:

Seattle Cost Comparison Methodology

1. **Personnel-Related Costs:** Compensation that must be paid to terminated employees.
2. **Material-Related Costs:** The costs of preparing or transferring City property or equipment to a contractor for use in providing the service.
3. **One-Time Conversion Costs:** Examples would be penalty fees associated with terminating leases or rental agreements, the cost of unused or underused facilities and equipment until other uses are found or they are sold.

III. Plans, Specifications & Estimates: These planning activities may be performed by staff or by an independent agent. When performed by staff, the costs are expressed as direct labor and fringe benefits. When performed by an independent agent, they are purchased service and treated like other direct costs.

IV. Revenue: The measurement of costs might be offset by new or enhanced revenue streams that would accrue as a result of the alternative chosen. They are expressed as **deductions** from the cost measurement. An example would be revenue derived from the sale or other disposition of facilities or equipment made redundant as a result of contracting out the service.

STEP 3: Comparison of other significant benefits and costs of alternative methods of service delivery

This section of the analysis provides measures of other factors that may be important differences between the options and that are most clearly described in “raw” form rather than translated into dollar terms.

The list of values to be measured in Step 3 should include:

- **Diversity of the workforce to be performing the work**
(Possible measures [by job title or in aggregate]: % minority, % female, % physically challenged)
- **Wages and Benefits**
(Possible measures [by job title or in aggregate]: total wage bill, hourly wage, value of benefits package, and opportunity to upgrade skills.)
- **Expertise or experience of the labor Force**
(Possible measures [by job title]: average years of experience, level of training or education.)
- **Assessment or relative quality of public sector and private sector work in this area.**
Quality may include such dimensions as customer service, speed of response in emergency, and ability/willingness to respond quickly to changing needs. (Possible measures: end user surveys of customer satisfaction, third party assessment, available measures of the typical response time, frequency of service, error rate, time before first touch up work or repair is needed...quality measures will vary by task and will be identified prior to assessment.)